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Mobilizing Money for War

Guaranty Trust Company
of New York

JOHN C. JESSUP, JR.
300 Calder Bldg.
Harrisburg, Pa.
Tel. 1962-J

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Guaranty Trust Company of New York
140 Broadway
Fifth Avenue Office: Fifth Avenue and 43d Street
London Office: 32 Lombard Street, E. C.
Paris Office: Rue des Italiens 1 & 3

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OUR Government needs funds for war. Part of this money will be raised by taxation, and part by a great popular loan to which the public will be given every opportunity to subscribe. The United States is today the richest country in the world. The demands of the war are imperative. The nation's wealth must meet the nation's needs.

The American people are not yet educated to the purchase of bonds as are the people of other countries. Less than one-fifth of one per cent. of the people of the United States own bonds, and only a fraction of these are holders of Government seeurities. In both France and England, more than eleven per cent. of the people have helped individually

to finance those countries in performing their part in the present war.

The Government has a sound basis for its belief in the patriotism of the bankers and the investors of the country, and for its anticipation that they will give their enthusiastic cooperation in the support of this loan. In order to assure its success, however, this cooperation must be broad and deep. It must extend far beyond ordinary channels of investment. Thousands of persons who never have purchased bonds, who never have been in touch with financial houses, must become investors in this issue. It has an appeal not only to patriotism, but to reason and to business sense. The whole nation must be quickened to a complete understanding of the spirit and the meaning of this investment. America must enlist its wealth as well as its manhood.

The following is an outline of the bill now before Congress, recommended by the Secretary of the Treasury, William G. McAdoo:

The Secretary of the Treasury is authorized to borrow on the credit of the United States in order to meet expenditures for the National defense, $7,000,000,000, in addition to certain sums heretofore authorized by Congress. Under regulations prescribed by the Secretary of the Treasury, bonds not in excess of $5,000,000,000, and one-year notes not in excess of $2,000,000,000, will be issued, the rate of interest not to exceed three and one-half per cent. If any subsequent series of bonds is issued prior to December 31, 1918, at a rate of interest higher than that of the bonds issued under this law, this series may be converted by the Secretary of the Treasury into bonds bearing the higher rate of interest.

Under regulations prescribed by the Secretary of the Treasury, bonds will be placed on

the market for popular subscription at par, and any bonds not subscribed for will be otherwise disposed of by the Secretary of the Treasury. No commissions will be paid in making disposition of the bonds. Bonds will be exempt, both as to principal and interest, from Federal and State taxation, except estate and inheritance taxes. Bonds and notes, however, will not bear the circulation privilege.

For the purpose of establishing credit in the United States for foreign governments, the Secretary of the Treasury is authorized to purchase from foreign governments, at par, from the proceeds of bonds issued under this law, obligations not exceeding $3,000,000,000, bearing the same rate of interest and containing essentially the same terms and conditions as those issued by the United States. If United States bonds are subsequently converted into bonds bearing a higher rate of interest, as provided above, the foreign government bonds purchased by the United States, shall be converted into bonds bearing

the increased rate of interest of the United States bonds so converted. Foreign governments may pay off before maturity, or the Government may sell, at not less than the purchase price, bonds purchased by the United States, and the funds so realized will be used to redeem or purchase outstanding interest-bearing obligations of the United States.

* * * *

The wealth of America is increasing beyond all precedent or parallel. In the last seven years, our national income has increased almost 33⅓ per cent.; in the last seventeen years, it has grown nearly 117 per cent.

Our foreign trade for the calendar year 1916 reached the enormous sum of nearly eight billion dollars. This surpasses the combined totals of 1911 and 1912, and is more than two and one-half billions greater than the returns for 1915. In the trade figures

of nations, there are no records comparable to these.

America has prospered greatly since August 1, 1914. In the thirty-one months that have elapsed since then, our foreign trade balance has attained the huge total of five and three-quarter billion dollars. This amount of money is almost six times the national debt of the United States as of April 1, 1917.

The Government's outstanding interest-bearing public debt on the above date was less than one billion dollars *principal*,—only one-fortieth of the nation's present annual *income*.

This nation possesses one-third of the world's stock of gold—nearly three billion dollars.

The national assets of the United States equal the combined wealth of Great Britain, Russia, France, and Italy. America today has two and a quarter times as much wealth as Great Britain; four times as much as

France and eight times as much as Italy. It is the richest nation in all history.

Great Britain has borrowed a little more than one-fourth of the amount of her national wealth; the borrowings of France and Russia are less than one-fifth, and Italy's proportion is but a little more than one-tenth. Judging from these figures, the borrowing capacity of the United States, with its two hundred billions of wealth, should be more than forty billions. It is inconceivable that such a sum will be necessary, but whatever amount our national honor demands, should be raised by the contributions of the whole nation and from the resources of all the people.

While the banking institutions of the United States may be confidently relied upon to take up their full share of this loan, it must be remembered that it would not be for the best interests of the country to have them assume more than their proper amount of the burden. These institutions are relied upon by our great manufacturing and trade

enterprises, whose activities will probably be increased by our entrance into war, to provide them with credit with which to carry on their commercial activities. Any reduction of such credits, necessitated by too large a participation in the government loan, would be a blow to the country's industries. It is evident, therefore, that the bulk of the loan should be taken by the public at large, and not by the bankers.

The Secretary of the Treasury has announced that it is the purpose of his Department, in effecting the distribution of the bonds, to seek the assistance of Federal Reserve banks, national banks, state banks, trust companies, savings banks, insurance companies, private bankers, and investment bankers throughout the country. In addition, every governmental agency, such as Internal Revenue offices and post offices, will be asked to assist in distributing the bonds. That this work, in itself, will be of incalculable service to the nation is evident from the fact that the laws of the United States forbid the

payment of commissions on sales of Government bonds. Bankers and distributing agents, therefore, will give their services to the Government, not only without profit to themselves, but entirely free of charge.

The duty of seeing that these loans are bought—and bought speedily—thus devolves upon the public, upon the average citizen.

Not often have our citizens been given a chance to show their confidence in the Government by lending their money. When they were asked to do so during the Civil and Spanish-American wars, their action was prompt and generous.

The history of the United States proves abundantly that our people do not hesitate when the life, the integrity, or the dignity of the nation is at stake. The historic $500,000,000-bond issue of 1862 is a conspicuous example of the readiness of our citizens to support their Government. It was purchased directly by the people, at par, in

currency. During the war with Spain, the mobilization of money was accomplished with astonishing rapidity. A Government bond issue for $200,000,000 at three per cent. was offered at par and was nearly eight times over-subscribed. So popular was this loan that it went to a premium of six per cent. within three months, and rose, in the following year, to 110¾. Yet there were only 320,000 subscribers to this loan.

Although our country is rich and our financial institutions strong, it is the people who must subscribe to this great loan if it is to be successful.

This war is the concern of every citizen of the United States.

Each must do his share.

Patriotism means both Loyalty and Sacrifice.